TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 2263 - HB 2401

March 14, 2012

SUMMARY OF BILL: Creates the "County Financial Management Act of 2012" which requires all counties to create a central county finance department and employ a qualified director of the department. Requires the creation of several special committees within the county and compensation of committee members is to be determined by the county legislative body. All counties shall be subject to this act as of July 1, 2017. Davidson, Shelby, Knox, Hamilton, Trousdale, and Moore counties are exempt from the provision of this legislation.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures –
$630,000/FY16-17*
Exceeds $3,107,200/FY16-17 and Subsequent Years*

Assumptions:

- Local governments must comply with the provisions of the bill by July 1, 2017. It is estimated that all costs will be incurred beginning in FY16-17.
- All costs associated with the creation of the centralized finance department, including office space, supplies, and equipment, will be allocated from the county general fund, county highway fund, and the county general purpose school fund.
- According to the Comptroller, 47 counties currently have some form of centralized accounting or finance system implemented.
- It is estimated the fiscal impact to these counties for implementation of this legislation will be not significant.
- The 42 remaining counties do not have a form of centralized accounting or finance system currently in place.
- According to information provided by the Comptroller and the County Technical Assistance Service (CTAS), the average one-time cost for the purchasing of supplies, computers, and software is $15,000 per county. This will result in a total one-time increase in local government expenditures of $630,000 ($15,000 per county x 42 counties).
- County employees currently performing the functions of accounting, budgeting, payroll, and purchasing in various departments, offices and agencies are to be relocated to the central finance department. The fiscal impact to local government for the relocation of employees is estimated to be not significant.

- Each county is required to hire a director for the central finance department with a salary no less than the county trustee. Pursuant to Tenn. Code Ann. § 8-24-102, a county trustee is classified as a "general officer" and base salary is determined by the population of the county.
- According to CTAS, the required hiring of a director of finance will result in a recurring increase in local expenditures of $3,097,188{[(9 counties x $52,251 base salary) + (19 counties x $57,751 base salary) + (7 counties x $61,751 base salary) + (3 counties x $63,954 base salary) + (1 county x $69,461 base salary) + (3 counties x $72,214 base salary)] x 1.25 factor for benefits}.
- Local governments will be required to create approximately six special committees related to county finance. The compensation of all members of the special committee is to be determined by the local legislative body.
- Due to multiple unknown factors such as the total number of committee members appointed, compensation per member per meeting, and meeting frequency, a precise impact to local government cannot be determined. However, the increase in local expenditures is reasonably estimated to exceed $10,000 statewide.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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